



Insurance Institute of Michigan

Insurance Institute of Michigan Position
No-Fault Medical Fee Schedules
House Bill 4792
As of July 24, 2007

The Insurance Institute of Michigan (IIM) supports legislation, such as House Bill 4792, that would help contain costs for medical care delivered under Michigan's no-fault auto insurance system.

IIM supports legislation that would:

- Create a schedule of maximum fees to be paid by automobile insurance companies for medical treatment, service, accommodation and medicine for those injured in auto accidents.

Medical costs have been increasing significantly, driving up the price of auto insurance for policyholders. During the last 10 years, medical care costs rose about 57 percent in Michigan, while the overall Consumer Price Index increased 26 percent. From 1996 to 2006, the average auto insurance Personal Injury Protection (PIP) medical claim rose more than 225 percent.

A medical fee schedule is one of the most common cost containment tools used in the workers' compensation insurance system. Forty-two states use some sort of medical fee schedule. In fact, the Workers' Compensation Research Institute (WCRI) found in a 2006 study that costs per workers' compensation claims in Michigan were lower than typical, compared to 13 other large states. One of the factors that contributed to the lower claims cost, according to WCRI, was Michigan's ability to control medical payments.

According to a study by EPIC Consulting, a medical fee schedule alone under Michigan's automobile insurance no-fault system could result in an overall premium savings of nearly 12 percent statewide.

A medical fee schedule that has brought consistency and stability to the workers' compensation market could do the same for the no-fault system.

For more information, contact Peter Kuhnmuensch at 517/371-2880

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334 Townsend • Lansing • Michigan • 48933
(517) 371-2880
www.iiminfo.org